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USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR CLILIENFELD/AADLER
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA ABAUKOL
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
STATE FOR SCA/INS AND EB/TRA JEFFREY HORWITZ AND TOM ENGLE

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SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF
DECEMBER 17-20, 2007

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¶11. (U) Below is a compilation of Economic highlights from Embassy
New Delhi for the week of December 17-20, 2007.

FDI RESTRICTIONS IN RETAIL
TO CHANGE?

¶12. (SBU) Food Processing Industries Minister Subodh Kant said Monday that the GOI may ease its restrictions on foreign direct investment (FDI) in the retail sector if a report commissioned by the GOI shows that small retailers would not be affected. He stated that those protesting against organized retail in recent months were actually hurting farmers and voiced his own opinion that mom-and-pop shops would not be harmed by the growth of organized retail.
(Comment: As a somewhat junior Minister, Kant's views do not merit optimism that a change in policy is imminent. It is still unlikely that a more relaxed FDI policy with respect to retail will get to the Cabinet or win approval in the current political environment. Further, if the report to which Kant referred is that of the Indian Council for Research on International Economic Relations (ICRIER), early statistics leaked to the press show that the study finds there will be some initial negative impact on a percentage of small retailers, if FDI is permitted. End comment.)

INDIA MADE INTERNATIONAL
SEARCH AUTHORITY

¶13. (U) The World Intellectual Property Organization (WIPO) has granted the Indian Patent Office (IPO) status as an International Searching Authority. This new status, approved recently by WIPO's Patent Committee Union Assembly, gives the IPO authority to conduct searches for relevant prior inventions and issue preliminary opinions on the patentability of an invention within the 137 countries signatory to the Patent Cooperation Treaty.

IBM THRIVING IN INDIA

¶4. (U) IBM revealed that the number of employees it has in India has grown by almost 40 percent in the past year to 73,000, approximately one fifth of the company's global workforce. IBM's revenues from India are expected to reach USD 1 billion this year, up from USD 700 million last year.

WORLD BANK STUDY "DOWNSIZES"
INDIAN AND CHINESE ECONOMIES

¶5. (U) Data released by the World Bank on Monday showed the Indian and Chinese economies to be nearly 40 percent smaller than previously estimated, measured in terms of purchasing-power parity (PPP) and benchmarked to 2005. The revised data, which the World Bank claims are the most thorough and reliable to date, come from a study in which India participated for the first time since 1985 and China for the first time ever. India's PPP GDP was 38.1 percent lower under the new metrics, dropping India behind Germany into fifth place among the world's largest economies. China dropped by 39.5 percent but retained second place, accounting for 9.7 percent of global GDP. The revised figures could negatively impact India's and China's efforts to get increased sway at the World Bank and the International Monetary Fund, as voting power is partly based on PPP GDP.

INDIAN TIGER SHRIMP LOSES OUT
IN THE US MARKET

¶6. (U) Seafood exporters in south India are finding the going tough with shrimp from China, Vietnam, Thailand and Indonesia claiming a greater share of the world market. The President of the Seafood Exporters Association of India told Consulate Chennai that

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"vannamei" shrimp from these southeast Asia countries are creating stiff competition for exports of India's tiger shrimp in the medium-sized category, which forms bulk of India's shrimp exports to the United States. He said vannamei shrimp have a higher disease tolerance than tiger shrimp, resulting in lower production costs and lower prices for consumers. He added that the strengthening of the rupee had compounded the Indian industry's woes.

KARNATAKA TO LAUNCH THE "GOLDEN CHARIOT"
IN JANUARY

¶7. (U) South India's first luxury train, Suvarna Ratha ("The Golden Chariot"), will be launched in January 2008. Karnataka's Secretary of Information, Culture and Tourism told Consulate Chennai that the train would have nineteen carriages, each with its own unique decor drawn from 14th-century Karnataka. The train trips, which will start from Bangalore, will cover major tourist sites in a little over a week. A ride on the "Golden Chariot" will cost each passenger approximately USD 3500.

NATH LINKS HARLEY AGAIN; OPPOSES ZEROING

¶8. (U) Commerce Minister Nath on December 19 indicated that India would ask the US to 'ease norms' for the entry of marine products (mainly shrimp) to the US in return for a reduction of duties on heavyweight motorcycles (above 800cc displacement), which would benefit Harley-Davidson. Earlier in the week, Nath was reported to have written to PM Singh recommending that duties on heavyweight bikes - which approximately double the price of a Harley for the Indian consumer - be reduced. Nath indicated that doing so "would send a very strong political signal as Harley-Davidson motorcycles are an American icon." The Commerce Ministry earlier this year had linked the acceptance of Euro III emissions standards for heavyweight motorcycles to the approval of Indian mangoes for sale in the US under rigorous SPS guidelines. Nath's attempts to frame Harley linkages to seemingly unrelated trade issues may be due to

his seeking political cover for moving on heavyweight motorcycles as well as a GOI perception that it has leverage with the USG in the Harley issue.

¶9. (U) Separately, Nath opposed the draft 'Rules' text that is being circulated as part of the WTO Doha Round negotiations. The Commerce Minister specifically objects to the inclusion in the text of a US proposal on zeroing when calculating anti-dumping margins, which opponents allege inflates average dumping margins by essentially excluding products from the calculations that are sold above cost in the importing country.

¶10. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>

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